

Message Text

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47

ACTION NEA-16

INFO OCT-01 AF-10 EUR-25 ISO-00 AID-20 CIAE-00 COME-00

EB-24 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 DODE-00

PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SS-20 USIA-15

IO-14 EPA-04 CEQ-02 DRC-01 /225 W
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R 020736Z OCT 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1101

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY DAKAR

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KABUL

AMEMBASSY LONDON

USMISSION OECD PARIS OQWPE

AMEMBASSY TEHRAN

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DEPARTMENT PASS TREASURY AND FRB

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SUBJECT: KUWAIT FINANCIAL AND INVESTMENT NOTES

REF: (A) KUWAIT 4166 (NOTAL) (B) KUWAIT 4108 (NOTAL)

1. VISIT SEPTEMBER 30 - OCTOBER 1 OF USG ANALYSTS KENNON AND
GOODMAN PROVIDED OPPORTUNITY REVIEW BANKING, INVESTMENT AND
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OTHER FINANCIAL DEVELOPMENTS IN KUWAIT WITH SEVERAL CONTACTS IN

LOCAL FINANCIAL COMMUNITY. SOME OF THE MORE INTERESTING BITS OF INFORMATION THAT WERE PICKED UP THAT HAVE NOT OTHERWISE BEEN REPORTED (SEE REFTELS) FOLLOW.

2. ONE LOCAL INVESTMENT COMPANY OFFICIAL INDICATED THAT ADDITIONAL NEW INVESTMENT COMPANIES ARE LIKELY TO BEGIN OPERATING HERE IN NEAR FUTURE. HE PREDICTED A TREND OF INCREASING COOPERATION WITH US FINANCIAL INSTITUTIONS PRIMARILY THROUGH ARRANGEMENTS WHEREBY AMERICAN COMPANIES WOULD PROVIDE ADVISORY AND/OR MANAGEMENT SERVICES TO LOCAL INSTITUTIONS. CITING BANK OF AMERICA AND CHASE MANHATTAN MANAGEMENT AGREEMENTS WITH LOCAL BANKS THAT HAVE BEEN IMPLEMENTED DURING PAST YEAR, THIS SOURCE ALSO PREDICTED THAT OTHER AMERICAN BANKS WOULD ENTER INTO MANAGEMENT AGREEMENTS WITH LOCAL BANKS IN NEAR FUTURE. HE SPOKE AS THOUGH HE WAS AWARE OF SPECIFIC CASES, ALTHOUGH HE DID NOT IDENTIFY ANY.

3. MOST NOTEWORTHY CURRENT BANKING DEVELOPMENT IS FORMATION OF A MERCHANT BANK WHICH WILL BE OWNED BY LOCAL BANKS AND GOK (51 PERCENT), AND WHICH WILL BE ACTIVE OUTSIDE KUWAIT. NOT CLEAR WHAT NAME OF NEW BANK WILL BE BUT LOCAL PRESS HAS REFERRED TO IT AS KUWAIT INTERNATIONAL BANK. AS REPORTED REF A AN OVERSEAS REAL ESTATE INVESTMENT COMPANY HAS ALSO BEEN FORMED RECENTLY BUT SHOULD BE KEPT IN MIND THAT THE TWO INSTITUTIONS ARE SEPARATE.

4. REGARDING OVERSEAS INVESTMENTS, WE LEARNED THAT CONTRARY TO ARTICLE WHICH APPEARED IN WASHINGTON POST SEPTEMBER 1, KUWAIT INTERNATIONAL INVESTMENT COMPANY WILL NOT REPEAT NOT TAKE PART IN LAKE BARKLEY, KENTUCKY RESORT COMPLEX WHICH HAS BEEN ASSOCIATED WITH FORMER VICE-PRESIDENT AGNEW.

5. WE WERE TOLD BY KUWAIT INVESTMENT COMPANY OFFICIAL THAT 55 PERCENT OF KIC'S INVESTMENTS WERE IN THE UNITED STATES AND 75 PERCENT OF U.S. INVESTMENTS WERE IN REAL ESTATE. THIS SOURCE MENTIONED THAT KIC HAS PURCHASED LAND IN SAN RAMON, CALIFORNIA IN ADDITION TO WELL-KNOWN LAND INVESTMENTS IN ATLANTA, GEORGIA AND SOUTH CAROLINA. KIC OFFICIAL PREDICTED THAT KUWAITI INTEREST IN INVESTING IN U.S. WILL INCREASE (SEE REF B) PRI-LIMITED OFFICIAL USE

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MARILY BECAUSE COMPANY DID NOT FIND POTENTIAL INVESTMENTS IN EUROPE TO BE AS ATTRACTIVE AS THOSE IN THE U.S. HOWEVER, HE INDICATED SOME KUWAITI INVESTORS HAD TENDENCY TO GET NERVOUS WHENEVER THERE WAS ADVERSE PUBLICITY EITHER IN KUWAIT OR IN U.S. RE KIC INVESTMENTS IN THE U.S. FYI LOCAL PRESS PLAYING UP CHALLENGE BY SIERRA CLUB AND OTHER ENVIRONMENTALISTS TO KIC'S KIAWAH ISLAND, SOUTH CAROLINA PROJECT: END FYI.

5. ADDRESSEES MAY ALSO BE INTERESTED IN REMARKS MADE TO US BY KFAED OFFICIAL IN DISCUSSING KUWAIT FUND ACTIVITIES OUTSIDE ARAB WORLD. HE SAID ORGANIZATION WAS CURRENTLY REVIEWING PROJECTS IN SENEGAL, RUANDA, BURUNDI, SRI LANKA, AFGHANISTAN AND BANGLADESH. THOSE PROJECTS HAVE NOT YET BEEN APPROVED BUT THE WAY HE REFERRED TO THEM SUGGESTED THAT THERE WAS GOOD CHANCE THAT THEY WOULD BE APPROVED. HE REFERRED TO KFAED SUPPORT OF AFRICAN RIVER BLINDNESS PROJECT WITH WHICH WE UNAWARE. POSSIBLE THAT RIVER BLINDNESS AND SENEGAL PROJECTS ARE THE SAME.

6. OF KFAED'S KD 1 BILLION (KD 1-\$3.38) CAPITALIZATION, KD 200 MILLION HAS ALREADY BEEN PAID IN AND AN ADDITIONAL KD 200 MILLION WILL PROBABLY BE PAID-IN SOON. THE REMAINING KD 600 MILLION IS LIKELY TO BE ADDED ONLY GRADUALLY OVER THE NEXT SEVERAL YEARS.

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